Knowledge-Based Policy Making –

Experiences from Impact Assessment

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CALCAS

Governance And Life Cycle Analysis

Opportunities for Going Beyond ISO-LCA

Institute for European Environmental Policy

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IA - Political Context

- **EU Sustainable Development Strategy:** Goteborg European Council June 2001 – 'all major policy proposals to include a sustainability impact assessment'

- **European Governance**: *Action Plan for Simplifying and Improving the Regulatory Environment* (COM (2002) 278 – June 2002

- Communication on Impact Assessment (June 2002)

- Commission Guidelines (3 vols) Nov 2002

  - Inc. Minimum Standards for Consultation

2005

- Revised IA Guidelines (June 2005)
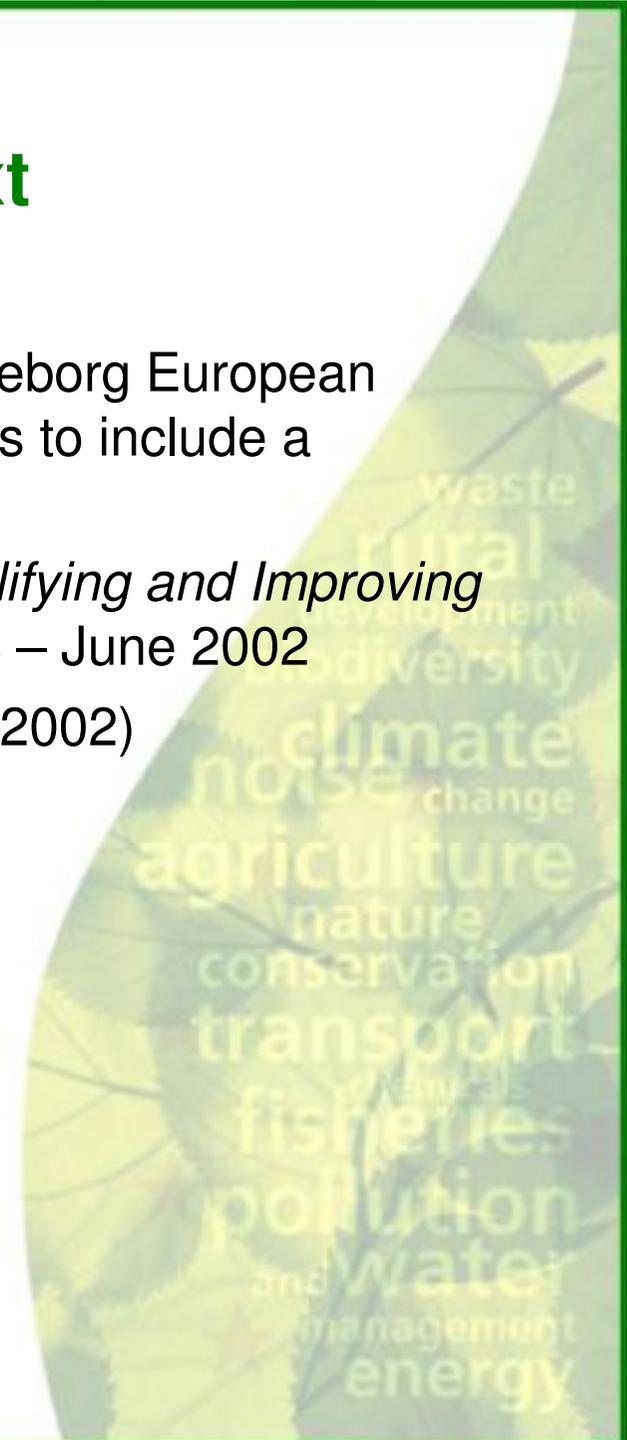
The Commission's stated objectives for IA

- **Improve the quality of Commission proposals**,
- **Provide an effective aid to decision-making**
- **Serve as a valuable communication tool**

- Promote coherence: **Integrated approach covering economic, social and environmental impacts**
- Simplicity and comparability **between sectors: replaces separate business, regulatory, gender, subsidiarity and environmental assessments**
- Increased transparency **– stakeholders, publication**
- Evidence-based **policy-making**

Impact Assessment – Flagship Tool of Better Regulation

An agreed/required assessment tool/process and document to clarify the relative impacts of different options to reach the policy objectives and hence inform decision making.

- IA initially set to cover all main proposals

- Required to do a 'balanced' assessment of economic, environmental and social costs and benefits

- Consider range of options, including 'no action'

- IA an integral part of policy development - not a 'bolt-on'

- If possible, aim to secure 'win-win-win' solutions

- or clarify and minimise unavoidable trade-offs between SD elements

- Extensive stakeholder consultations

- Transparent justification of policy choice

- Ex post monitoring and evaluation

What is IA? Key Steps

- **Key analytical steps in impact assessment**

  1. Identify the problem.

  2. Define the objectives.

  3. Develop main policy options. Does the Union have the right to act?

  4. Analyse their impacts.

  5. Compare the options.

  6. Outline policy monitoring and evaluation.

- Stakeholder consultation & collection of expertise can run throughout the process.

- IA is an aid to political decision-making, not a substitute for it.

- Principles of "**Ex Ante**" evaluation and **proportionality**:

- The impact assessment's depth and scope will be determined by the likely impacts of the proposed action (principle of 'proportionate analysis').

http://europa.eu.int/comm/secretariat_general/impact/index_en.htm
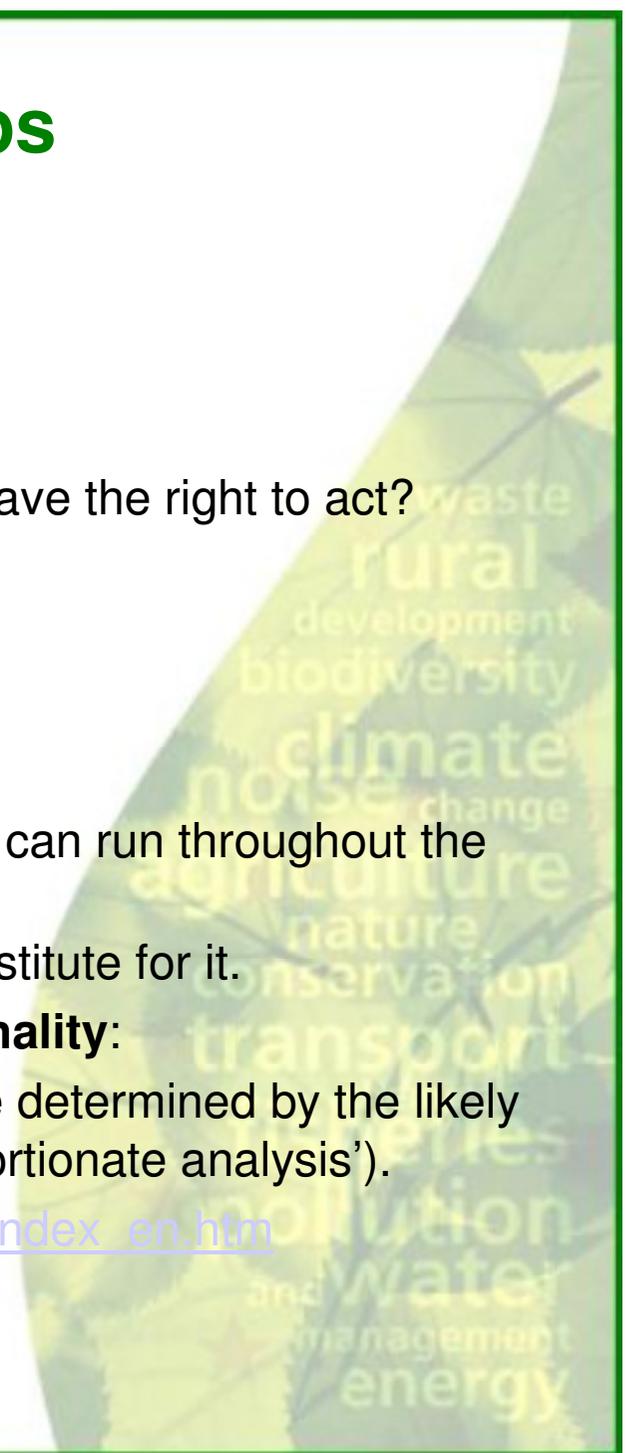
IAs: Aim to identify the likely Economic, Social & Environmental Impacts of the options

- Identify:

  - **environmental, economic and social impacts**,

  - why **they occur and**

  - **who is affected** (incl. outside EU) and how.

- Assess the impacts in **qualitative, quantitative and monetary** terms where possible and appropriate.

- Identify clearly the **pros and cons**, **trade-offs** and **win-wins**

- **Tools: whichever helps answer the question –** eg Macroeconomical equilbrium models (GEM E-3), sectoral models (PRIMES, CAPRI), EIA models (ECOSENSE, SMART), discounting and monetisation of non-market impacts, **Life Cycle assessments**.

- **Methods to compare impacts – whichever works:** Cost-effectiveness and Cost-benefit analyses, Multi-Criteria analysis, Risk and Sensitivity analysis, Qualitative reasoning, Delphi and Foresight methods.

IA aims to help Improve Legislative Proposals
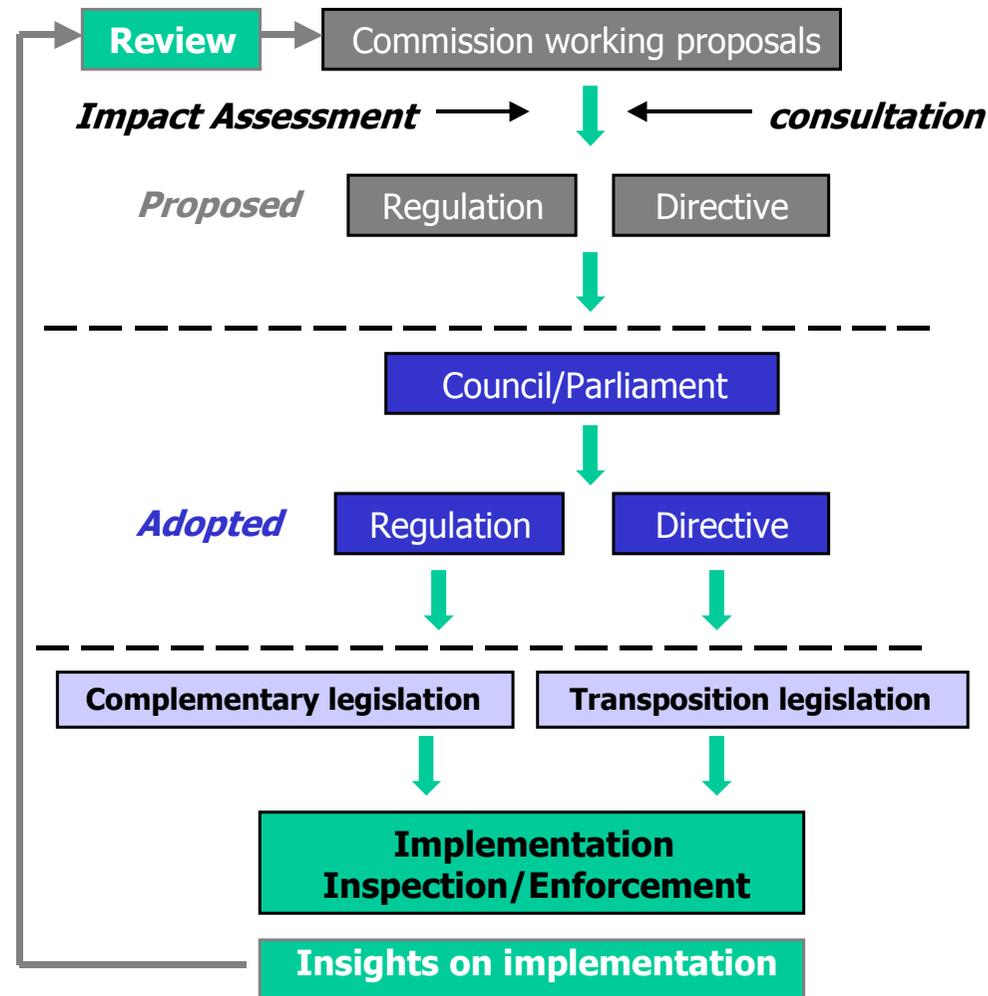
| Review | → | Commission working proposals |

Impact Assessment ⟶ ↓ ← *consultation*

Proposed **Regulation** **Directive**

↓

- -

Council/Parliament

↓

Adopted **Regulation** **Directive**

↓ ↓

- -

Complementary legislation **Transposition legislation**

↓ ↓

**Implementation
Inspection/Enforcement**

Insights on implementation

Steps in the Legislative process: details at EU level

White Paper ⬌ Communication ⬌ Green Paper

Consultation

Commissioned work

Commission Internal working proposals

Impact Assessment (IA)

Proposed Regulation   Proposed Directive

Council/Parliament

Adopted Regulation   Adopted Directive
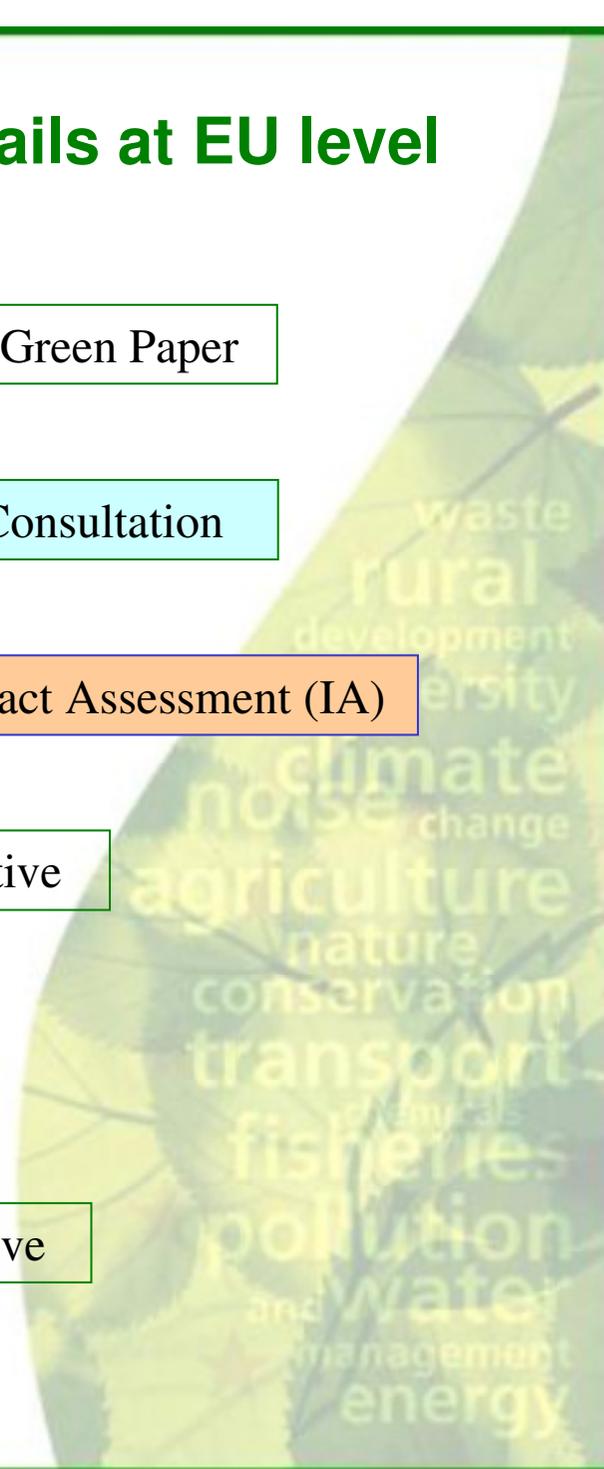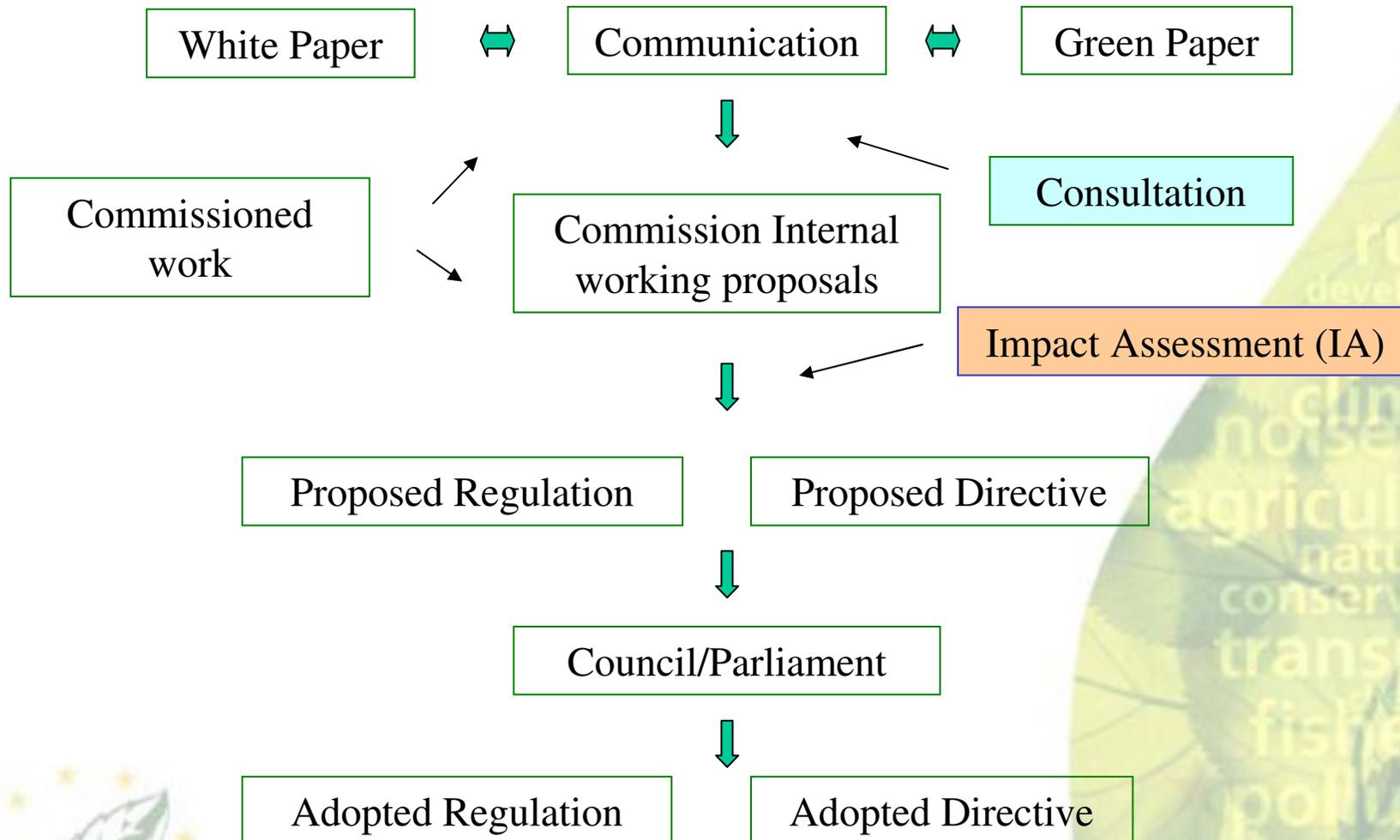
Steps in the Legislative process: details at MS level
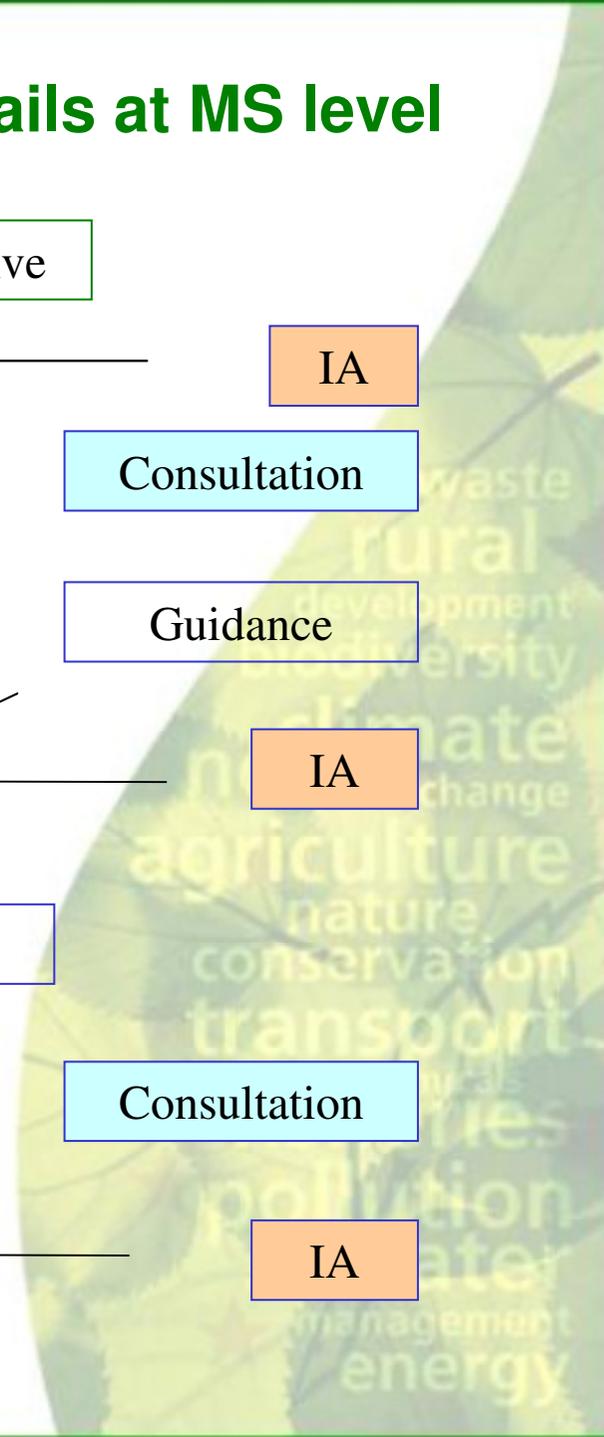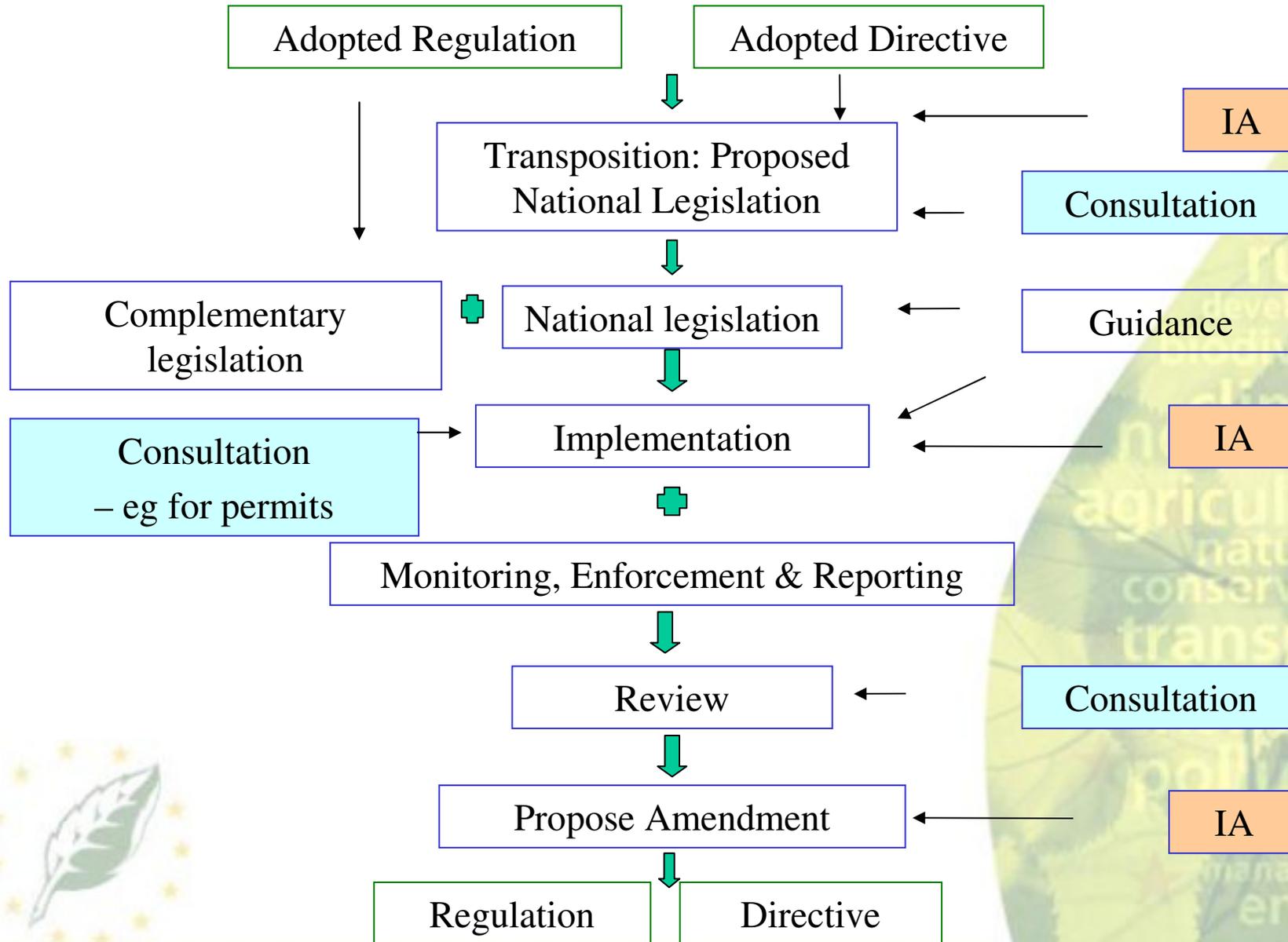
How does the system work?

- **Overseen by Sec-Gen (Strategic Planning & Programming Unit)**

- **Short** Preliminary Impact Assessment **by responsible DG needed for proposals to appear in Annual Policy Strategy (February)**

- **Responsible DG recommends whether an** Extended Impact Assessment **is necessary….**

- **…but Extended IAs selected by Sec-Gen in consultation with other DGs**

- **Undertaken by responsible desk officers, in consultation with relevant DGs, stakeholders**

Impact assessment by DG

- Proposals divided by type:
- Non-legislative:
- **White papers (12)**
- **Strategies (24)**
- **Action plans (13)**
- Legislative:
- **Specific legislations (28)**
- **Framework legislations (48)**

IAs by different DGs
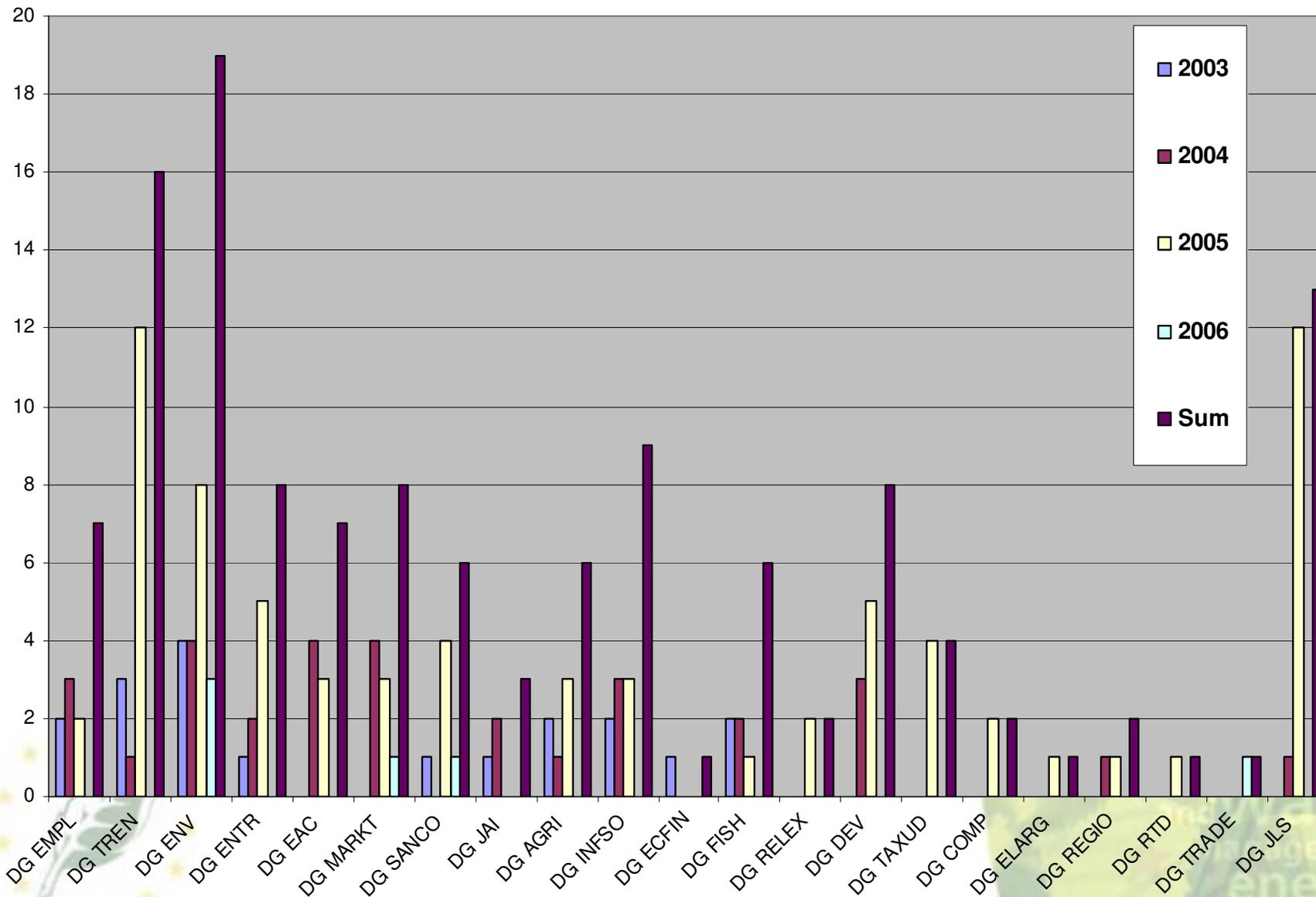
Source: presentation by David Wilkinson, Peter Hjerp, Camilla Adelle at EVIA Meeting London, June 29 2006

Impact Assessment: potential & concerns

Very positive potential and positive uses

- **Helps ensure that environmental issues are understood & taken into account**

- **DGENV makes systematic use of IA**

Yet, there are concerns *(re environment)*

- **Possible to have many IAs for the same question that offer different results**

- Easier to look at & derive cost estimates for 'targeted' industry than benefits
  - Short term costs to business focus rather than longer term costs/benefits to society and environment

- Budget availability **may limit the scope of the benefits to be covered.**

- **Often** too few options **looked at.**

- **Difficult to factor in the** benefits of learning **and** development of substitutes

- Policy-based evidence making or evidence based policy making**?**
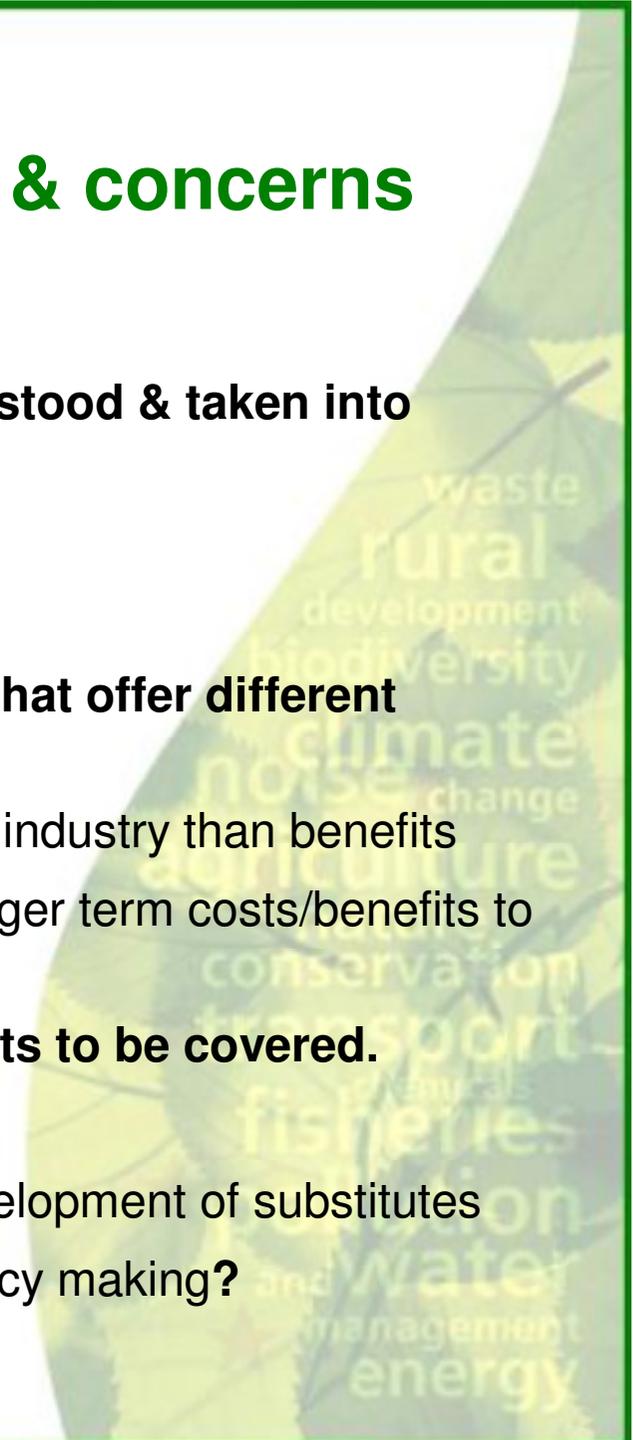
IA in practice: Description of Impacts

- **In practice, range of impacts considered is limited**
- **Unequal treatment of economic/social/environment – 'policy-based evidence-making'?**
- **Social and international impacts given least attention**
- **Quantification mainly in relation to economic costs, rather than long-term environmental or social benefits (REACH)**
- **But figures sometimes dubious (eg Batteries and Accumulators)**

IA Functions in practice

- **Improve the knowledge base of decision making**
- **Identification of trade offs and synergies**
- **Integrate generic objectives into policies: SD, competitiveness**
- **Improve coherence of policies**
- **Increase transparency of decision making**

But also has proven to:

- **Delay decisions; and be an**
- **Additional venue for bargaining**

Political Realities

- REACH – **large number of IAs done by different parties** (DGEnvironment, DGEnterprise, Member states concerned etc)

- CAFÉ – **measures watered down by Commissioners despite robust cost-benefit analysis**;

- **All impact assessments will in future be screened by High-level Commissioner groups**;

- Withdrawn proposals **- to be subject to an *economic* impact assessment, not an *integrated* impact assessment**

Developments in Impact Assessment

- Post-Lisbon review, **emphasis towards competitiveness screening**

- Aim: **cut administration costs on business** (information provision) by 25%

  - A 25% reduction target useful to show the ambition, but final 'success' should depend on where unnecessary burden avoidance is possible

  - Danger that costs of business will simply be transferred to regulators

- Future restriction of IA to a few proposals with major economic impacts ?

  - Fears: Sec Gen evaluation >> IAs only on major strategic initiatives

    o **Hence weaken IA and potential benefits from IA and reduce contribution to BR with due risks of downgrading the environment.**

  - Yet, DGENV committed to continue systematic use of IA

  - Sec Gen set up an internal 'IA Board' - central quality control to IAs
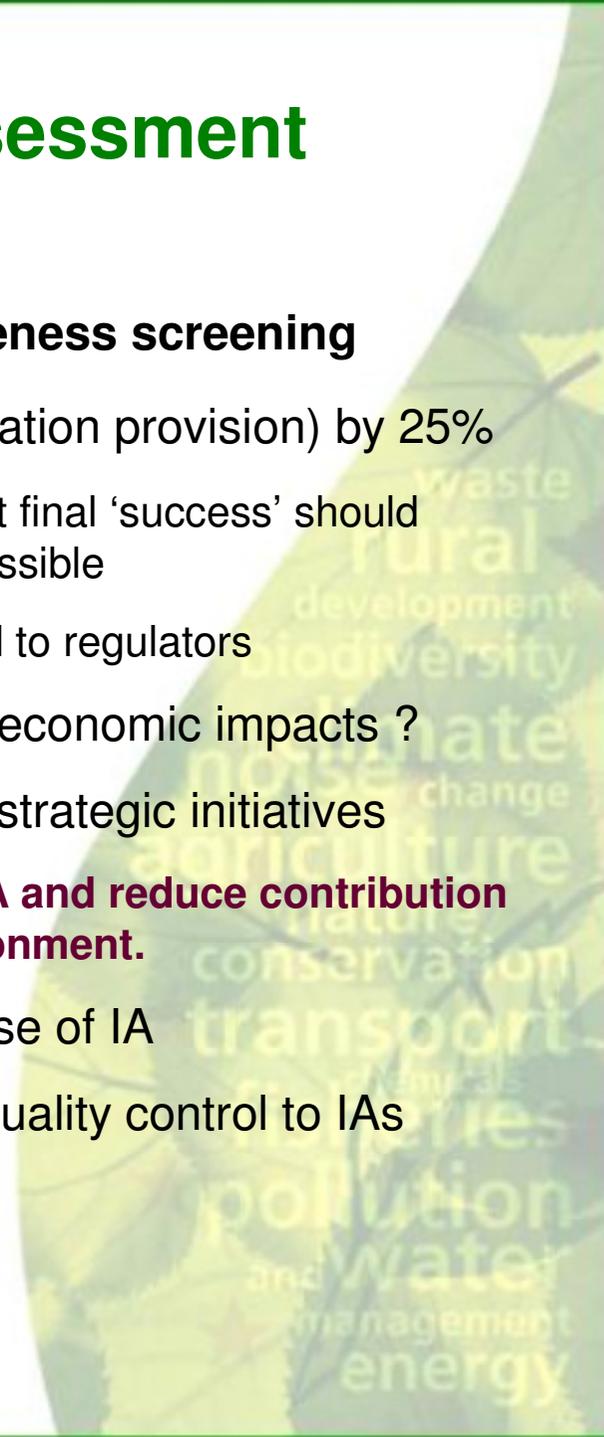
Next Version of Better Regulation?
# Improve IA

- Ensure that applied where needed

- Ensure adequate scope and coverage and hence ensure adequate resources (time, timescale, money)

- Ensure that addresses balance of issues – economic, social and environmental

- Ensure transparency and public / stakeholder inputs.

- For EU IAs, improve cross-DG co-operation and inputs.

- Address inter-generational equity

- Build in innovation benefits (impacts on innovation and impacts of innovation on costs)

- Help capacity building to facilitate IAs

If IA cannot be done in a balanced way covering all the key issues, then does it add sufficient value? Should it be done?
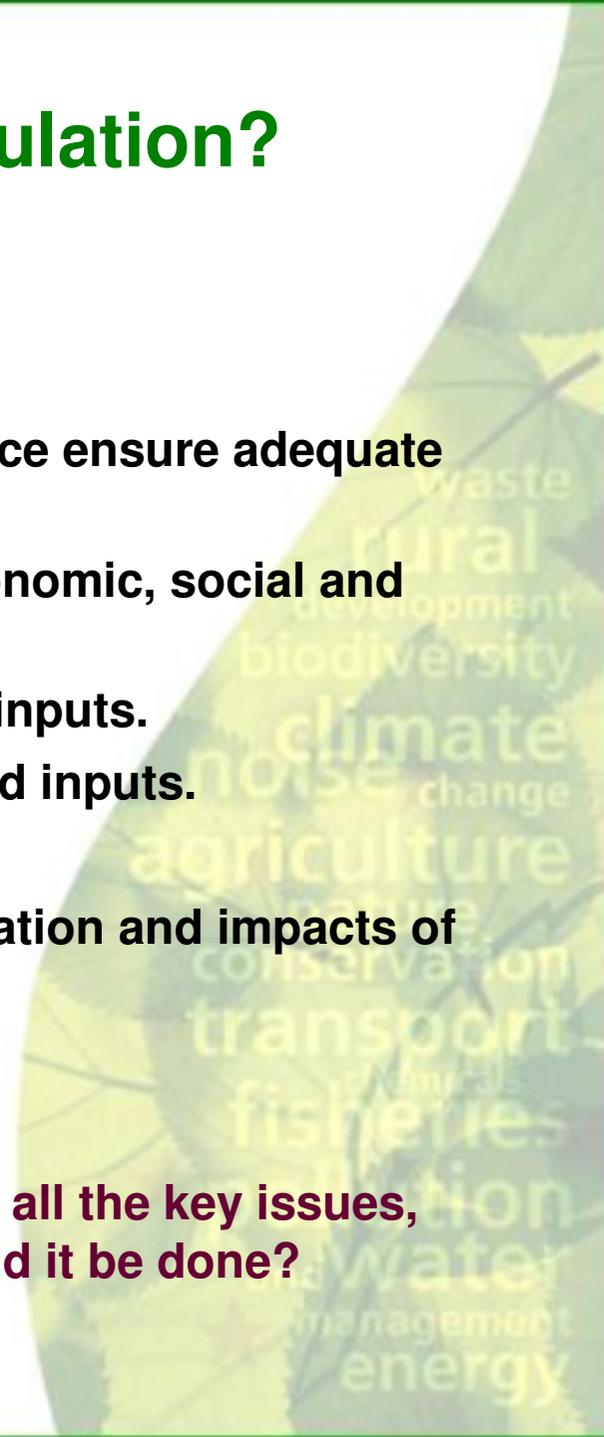
Experiences from Impact assessment and insights for LCA

- **IA is very much a tool that is part of the policy process**

- **It is very difficult to get a 'perfect answer' – especially given data, resources, timescale and nature of the question.**

- **The answer can be influenced by what is chosen to be done, which can be influenced by the budget.**

- **The tool can become a political tool to defend interests – and used as such.**

- **Much less of a 'scientific' tool than LCA**

- **Much scope for improvement of IA**

  - In places LCA can play a role as a valuable input

Useful links – evaluations of IAs

o Wilkinson *et al* 2004

o Vibert 2004

o Lee and Kirkpatrick 2004

o Bartolomeo *et al* 2005

o Lussis 2004

o Renda 2006

o Nielson *et al* 2006

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Thank You.

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IEEP is a not-for-profit institute dedicated to the analysis, understanding and promotion of policies for a sustainable environment in Europe